

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Burton Analyst: Kimberly Pantoja Bill Number: SB 1726

Related Bills: See Prior Analysis Telephone: 845-4786 Amended Date: 08/07/2000 & 08/18/2000

Attorney: Patrick Kusiak Sponsor: CA Electric Trns Coalition

SUBJECT: Zero-Emission Vehicle Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 23, 2000 STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would provide a credit to a lessee or purchaser of a new zero-emission vehicle (ZEV) equal to either 50% of the total lease payments for a maximum of 36 months or 50% of the sales price for a maximum period of three years. The credit would be limited to \$3,000 per vehicle annually, and the total amount of qualified cost per new ZEV would be limited to \$18,000.

In the case of a new ZEV that is leased or sold to a local or state government agency or to a tax-exempt nonprofit organization, this bill would allow a credit to a lessor or seller, instead of the lessee or purchaser, that would generally be determined in the same manner with minor differences.

SUMMARY OF AMENDMENT

The August 7, 2000, amendments made significant technical changes to reword the credit, thus resolving the implementation and some of the policy considerations raised in the department's analysis of the bill as amended May 31, 2000. The remaining policy and technical considerations are included below.

The August 7, 2000, amendments added recapture provisions for the credit in situations where a purchaser sells the vehicle or a lessee terminates the lease of the vehicle within 36 months of the date the vehicle was first placed in service. The amendments also added a provision allowing the FTB to issue any appropriate regulations for the ZEV Credit, particularly with respect to defining what would constitute a disposition event for purposes of the recapture provisions.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Johnnie Lou Rosas

9/12/00

The August 18, 2000, amendment resolved a technical consideration addressed in the department's prior analyses of the bill.

Except for the discussion in this analysis, the department's analyses of the bill as amended May 31, 2000, and as introduced February 23, 2000, still apply.

Policy Consideration

The bill would allow a credit to a taxpayer that sells or leases a ZEV to a state or local government agency or a tax-exempt nonprofit organization. It would not provide similar treatment for ZEVs sold or leased to federal governmental agencies or instrumentalities. This may violate principles of intergovernmental immunity and laws that prohibit discrimination against the federal government.

Technical Considerations

There is a typographical error in clause (i) of subparagraph (C) of paragraph (1) of subdivision (b) in the reference to a sale or lease of a ZEV to a governmental entity, where it currently reads "new-emission" and should read "new zero-emission."

The definition of "qualified cost" uses the phrase "determined by the applicable of the following:" which is not clearly worded. The phrase "determined under the following applicable rules:" would be less confusing.

FISCAL IMPACT

Tax Revenue Estimate

Revenue Impact of SB 1726 For Original Lease or Purchase Beginning Between 1/1/01 and 12/31/02 Assumed Enactment After 6/30/2000 (In Millions)		
2000-1	2001-2	2002-3
Negligible Loss	-\$3	-\$7

?? Negligible Loss = Less Than \$250,000

Tax Revenue Discussion

In relationship to the revenue savings from the recapture provision of this amendment, revenue losses are not anticipated to be significant (less than \$250,000) for any given year. The previous estimate of this bill as introduced February 23, 2000 still applies.

BOARD POSITION

Pending.